



# California Legislature

## Joint Legislative Audit Committee

GOVERNMENT CODE SECTION 10500 et al

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Letter Report 004

February 8, 1980

The Honorable Speaker of the Assembly  
The Honorable President pro Tempore  
of the Senate  
The Honorable Members of the Senate and the  
Assembly of the Legislature of California

Members of the Legislature:

This report is submitted in accordance with the requirement formerly contained in Section 51005 of the State Health and Safety Code as amended. This section required the Joint Legislative Audit Committee to report on the activities of the California Housing Finance Agency (CHFA) within 90 days following receipt of the Agency's annual report.

This report is based primarily upon examination and evaluation of the Agency's annual report. The financial statements of the CHFA were examined by an independent certified public accounting firm which expressed an unqualified opinion on the fairness of the statements.

### Background

The California Housing Finance Agency was created by the Zenovich-Moscone-Chacon Housing and Home Finance Act, as amended, to meet the housing needs of persons of low or moderate income. To accomplish this, the Agency borrows money in the municipal bond market and operates a variety of programs of lending and insuring mortgages and loans to make them available at lower-than-market interest rates.

The Agency is able to borrow money at favorable interest rates because the interest paid on money borrowed is tax-exempt. The Agency was authorized to issue bonds in the aggregate amount of \$750 million.\*

The Agency's annual budget is established by the Agency's Board of Directors. The Agency was started with loans and capital contributions made available by the Legislature; however, it is intended that the Agency will repay the loans and function without appropriation. During the year, CHFA made a \$100,000 payment to repay the loan. The Agency is to use the difference between the cost at which it borrows money and the rate at which it lends money to finance its operations and to repay the start-up loans.

#### Agency Operations 1978-79

##### Multi-Unit Loan Program

This program provides mortgage loans for the construction or rehabilitation of housing developments of five or more rental units. The Agency's stated goals and priorities are to establish projects to provide multi-unit housing at the ratio of 60 percent family to 40 percent elderly. Priority is also given to developments involving rehabilitation or those located in Neighborhood Preservation Areas. By the end of the fiscal year the Agency had 982 units available for occupancy, 2,169 under construction and 1931 committed. The total loan amount was approximately \$188 million.

##### Home Ownership and Home Improvement Loan Programs

The active program under this heading is the Home Ownership and Home Improvement Loans in Neighborhood Preservation Areas (HOHI). This program succeeds the Mortgage Purchase Program.

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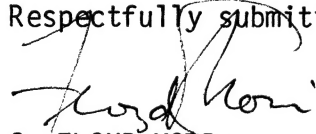
\* This authorization has been increased to \$1.5 billion as of January 1, 1980.

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The objectives of the HOHI program include: (1) individual housing rehabilitation; (2) neighborhood revitalization; (3) home ownership for those priced out of the housing market; and (4) new construction. The objectives are to be accomplished through loans made in certain areas designated as concentrated rehabilitation areas or mortgage assistance areas. Loans are made for purchase, rehabilitation, a combination of the two or refinance with rehabilitation.

Loans totaling approximately \$190 million were reserved and delivered in the HOHI program for 4,070 units. The Mortgage Purchase Program, which was completed in early 1978, resulted in 2,860 loans totaling about \$91.5 million.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Floyd Mori", is written over the printed name.

S. FLOYD MORI  
Chairman, Joint Legislative  
Audit Committee